

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-10 NSAE-00
PA-01 ICA-11 SP-02 COME-00 EB-08 LAB-04 SIL-01
TRSE-00 L-03 AID-05 /060 W
-----084682 191957Z /62
R 191810Z APR 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 7172
INFO AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 1 OF 2 BRASILIA 3162

EO 11652 NA
TAGS LAB BR
SUBJECT: CABINET MINISTERS MEET SAO PAULO LABOR LEADERS

FOLLOWING CABLE PREPARED BY AMCONSUL SAO PAULO:

SUMMARY: THE MEETING OF FINANCE MINISTER SOMONSEN AND LABOR MINISTER PRIETO WITH 32 SAO PAULO LABOR LEADERS APRIL 12 WAS MORE SIGNIFICANT FOR ITS TONE THAN FOR ITS CONTENT. NO OPINIONS WERE CHANGED; THE MINISTERS DEFENDED EXISTING POLICIES AND PROMISED NO SUBSTANTIAL MODIFICATIONS. THE MEETING DID ALLOW, HOWEVER, FOR SOME STRAIGHT TALK BETWEEN GOVERNMENT AND LABOR. THE QUESTIONS RAISED BY THE UNION LEADERS WERE SOLIDLY BASED AND DEALT WITH LEGITIMATE LABOR INTERESTS. MOST OBSERVERS CONCEDE THE GOVERNMENT'S MOTIVE FOR THE MEETING WAS ELECTION YEAR POLITICKING. WHETHER PURPOSEFULLY OR NOT, THE GOVERNMENT MAY HAVE ALSO OPENED THE DOOR A MINUSCULE CRACK FOR GREATER FUTURE PARTICIPATION BY ORGANIZED LABOR IN MATTERS AFFECTING ITS INTERESTS. END SUMMARY.

1. THE MINISTERS OF FINANCE AND LABOR (SOMONSEN AND PRIETO), TOGETHER WITH STATE GOVERNOR EGYDIO MARTINS, MET WITH 32 LABOR LEADERS IN SAO PAULO APRIL 12 FOR A FIVE HOUR EXCHANGE OF VIEWS. THE SESSION WAS OPEN TO THE MEDIA AND RECEIVED EXTENSIVE COVERAGE.
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THE SESSION CONSISTED MAINLY OF SIMONSEN DEFENDING EXISTING POLICIES AND RESPONDING TO VIEWS EXPRESSED BY THE LABOR LEADERS.

2. MAJOR POINTS RAISED BY LABOR LEADERS INCLUDED:

COLLECTIVE BARGAINING AND THE RIGHT TO STRIKE:

BOTH SIDES RESTATED THE STANDARD ARGUMENTS. LABOR MAY HAVE SCORED SLIGHTLY, HOWEVER, AS SIMONSEN SAID HE WOULD "PONDER" SOME OF THE ARGUMENTS FAVORING THE (REGULATED) RIGHT TO STRIKE.

HIGH LABOR TURNOVER:

THE FUND FOR GUARANTEE FOR TIME IN SERVICE (GFTS), AS IT CURRENTLY OPERATES, WAS CITED AS A MAJOR CAUSE FOR HIGH LABOR TURNOVER BY FACILITATING THE DISMISSAL OF WORKERS. STUDIES BY THE INTER-UNION DEPARTMENT OF STATISTICAL AND SOCIO-ECONOMIC STUDIES (DIEESE) SHOW THAT THE DISMISSAL RATE INCREASES MARKEDLY JUST PRIOR TO THE ANNUAL WAGE ADJUSTMENTS, ALLOWING EMPLOYERS TO REPLACE THE DISMISSED WORKERS WITH NEW ONES AT LOWER WAGES. THE UNIONS ASKED THAT COMPANIES BE REQUIRED TO PAY, UPON DISMISSAL OF A WORKER, AN AMOUNT EQUAL TO THE SUM ACCUMULATED IN THE WORKER'S FGTS ACCOUNT. THIS WOULD REDUCE MANAGEMENT'S FINANCIAL INCENTIVE FOR RAPID TURNOVER.

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PA-01 ICA-11 SP-02 COME-00 EB-08 LAB-04 SIL-01
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FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 7173
INFO AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 2 OF 2 BRASILIA 3162

EO 11652 NA
TAGSELAB BR
SUBJECT: CABINET MINISTERS MEET SAO PAULO LABOR LEADERS

LABOR'S SHARE:

THERE WERE MARKED DIFFERENCES OF OPINION AS TO LABOR'S SHARE OF GROSS DOMESTIC PRODUCT.

PUBLICATION OF COST OF LIVING STATISTICS:

LABOR ASKED THAT MONTHLY COST OF LIVING STATISTICS BE PUBLISHED IN EACH AREA WHERE THEY ARE COLLECTED. (THE MINISTERS OF LABOR AND PLANNING EACH CLAIM THIS IS THE OTHER'S RESPONSIBILITY.)

PROJECT "ROBIN HOOD":

LABOR RAISED QUESTIONS REGARDING THE GOVERNMENT'S PROPOSED PLAN TO GIVE LOWER PAID WORKERS A GREATER PERCENTAGE WAGE INCREASE THAN THAT DECREED FOR HIGHER PAID WORKERS. LABOR DISLIKES THE PROPOSAL BECAUSE IT DOES NOT INCREASE THE TOTAL AMOUNT DEVOTED TO WAGES, BUT ONLY REDISTRIBUTES WITHIN THE SECTOR THE SAME AMOUNT LIMITED OFFICIAL USE

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WHICH LABOR WOULD RECEIVE AS A RESULT OF A DECREED WAGE INCREASE.

3. RESULTS OF MEETING: THE CREATION OF A JOINT GOVERNMENT-UNION COMMITTEE TO DISCUSS LABOR ISSUES WAS ANNOUNCED FOLLOWING THE MEETING. THE COMMITTEE IS COMPOSED OF REPRESENTATIVES OF THE ECONOMIC

AND LABOR MINISTRIES, THE LABOR UNIONS, AND DIEESE.

4. COMMENT: NO OPINIONS WERE CHANGED BY THE MEETING BUT IT DID HAVE SOME MINOR CONSEQUENCES: IT AGAIN EMPHASIZED THE INDEPENDENCE OF LUIS INACIO DA SILVA (LULA), PRESIDENT OF THE SAO BERNARDO METALLURGICAL UNION, WHO DID NOT ATTEND. INSTEAD, "LULA" HAD A WELL PUBLICIZED MEETING WITH MANAGEMENT REPRESENTATIVES "TO DISCUSS DIRECT COLLECTIVE BARGAINING AND QUARTERLY WAGE INCREASES."

IT EMPHASIZED THE INCREASED PRESTIGE OF DIEESE AS AN INDEPENDENT SOURCE OF LABOR STATISTICS WITH THE ABILITY TO "TALK BACK" TO THE GOVERNMENT USING OBJECTIVE DATA.

IT MARKED A PUBLIC HUMILIATION FOR THE PRESIDENT OF THE SAO PAULO COMMERCIAL WORKERS FEDERATION, ANTONIO MAGALDI, WHO WAS RIDICULED IN THE PRESS AND BY MANY UNION LEADERS FOR HIS PANEGYRIC TO THE GOVERNMENT.

5. NEARLY EVERYONE IN SAO PAULO LABOR CIRCLES HAS WRITTEN THE MEETING OFF AS ELECTION YEAR POLITICKING BY THE GOVERNMENT IN THE BELIEF THAT IT IS FAR TOO LATE IN THIS ADMINISTRATION FOR ANY NEW INITIATIVES. NEVERTHELESS, THE MEETING DID MARK THE FIRST TIME IN 14 YEARS THAT SUCH A DIRECT MEETING OCCURRED BETWEEN LABOR AND A MINISTER OF FINANCE. THE CABINET CHIEF OF THE SAO PAULO LABOR SECRETARY TOLD LABATT APRIL 17 THAT MEETING SIGNIFIED "A TINY OPENING THAT COULD BE EXPANDED IN THE FUTURE." THAT IS A FAIR LIMITED OFFICIAL USE

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EVALUATION BUT THE DECISION WILL BE AMDE BY THE NEW ADMINISTRATION,
NOT BY LABOR.
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